

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Service Rules for the 698-746, 747-762 and)	WT Docket No. 06-150
777-792 MHz Bands)	
)	
Former Nextel Communications, Inc. Upper)	WT Docket No. 06-169
700 MHz Bank)	
)	
Implementing a Nationwide, Broadband,)	PS Docket No. 06-229
Interoperable Public Safety Network in the)	
700 MHz Band)	
)	
Development of Operational Technical and)	WT Docket No. 96-86
Spectrum Requirements for Meeting Federal,)	
State and Local Public Safety)	
Communications Requirements Through the)	
Year 2010)	

**COMMENTS OF EMBARQ, CENTURYTEL, AND
CITIZENS/FRONTIER (MID-SIZED ILECS)**

1. INTRODUCTION AND SUMMARY

Embarq, CenturyTel, and Citizens/Frontier (collectively, the Mid-Sized ILECs) serve many rural areas that are underserved or unserved by the wireless industry.¹ The Mid-Sized ILECs' experience in these markets is that it is becoming increasingly important to offer innovative wireless broadband services in addition to the existing wireline voice and data products they currently provide using their own networks. The Mid-Sized ILECs are, therefore, very interested in acquiring wireless broadband services on a wholesale basis and, possibly,

¹ As the attached ITTA map shows, independent ILECs, such as the Mid-Sized ILECs, serve the vast majority of the geographical territory of the continental U.S., much of which is rural.

participating in the upcoming 700 MHz auction. As current or potential resellers of such wireless services, the Mid-Sized ILECs are convinced that consumers in rural and undersewed areas will benefit greatly and the public interest will be best served if the Commission ensures that the upcoming auction is structured to promote the emergence of a nationwide wholesale wireless broadband alternative, such as proposed by Frontline; and to increase opportunities for smaller, more regional companies to participate in the 700 MHz auction process, by allowing combinatorial or package bidding, especially in the Cellular Market Areas (“CMA”) geographic license blocks.

Embarq’s principal business involves owning and controlling wireline networks and providing local wireline telecommunication services. Embarq is an incumbent local exchange carrier in 18 states, and it is designated as a rural carrier in 17 of those states according to the definition in the Telecommunications Act of 1996. An affiliate, Embarq Communications, Inc. (“ECI”) provides resold long distance services and is a mobile virtual network operator (MVNO) providing commercial mobile radio services (CMRS).

CenturyTel is a leading provider of communications, high speed Internet and entertainment services in small-to-mid-size cities in 25 states. The majority of CenturyTel’s markets qualify as “rural.” The Company manages an aggressive rural broadband deployment schedule which includes DSL and Wi-Fi solutions. CenturyTel also operates a fiber transport network that transverses the center of the country as well as competitive operations in multiple states. CenturyTel provides local exchange, long distance, high speed internet, data, wireless, video and security services to more than 2 million customers.

Citizens Communications Company provides communication services to rural areas, and small and medium-sized towns and cities as an incumbent local exchange carrier (ILEC). It

offers ILEC services in **24** states under the Frontier name. Frontier operates in one of the most competitive (both residential and business) urban markets in the country (Rochester, NY), but the balance of its ILEC operations are located in numerous small, high cost rural markets throughout the United States. Frontier services include access services, local services, long distance services, data and Internet services, directory services, and television services.

11. THE COMMISSION SHOULD ENSURE THAT THE UPCOMING 700 MHZ AUCTION PRODUCES A NATIONWIDE WHOLESALE WIRELESS BROADBAND PROVIDER.

In order to offer innovative wireless broadband services in addition to the existing wireline voice and data products they currently provide using their own networks the Mid-Sized ILECs are very interested in acquiring wireless broadband services on a wholesale basis and, possibly, participating in the upcoming 700 MHz auction. The Mid-Sized ILECs are convinced that consumers in rural and underserved areas will benefit greatly and the public interest will be best served if the Commission ensures that the upcoming auction is structured to promote the emergence of a nationwide wholesale wireless broadband alternative; thereby increasing the opportunities for the Mid-Sized ILECs, and other similarly situated providers to offer innovative and affordable wireless broadband services.

Accordingly the Commission should adopt rules that allow for national wholesale providers. Rules that provide for wholesale access to a broadband wireless network, such as proposed by Frontline, are a positive step toward enabling broadband wireless services in rural markets. Broadband deployment in rural areas is costly, in significant measure because of the challenges caused by low population densities, which make it difficult to aggregate the customer demand needed to justify large network investments. The Commission should consider requiring the winner of at least one block of spectrum to make broadband capacity available on a

wholesale basis as this will facilitate demand aggregation and supplement broadband deployment in sparsely-populated areas.

Today, there are a very limited number of spectrum owners interested in providing wholesale access to spectrum, and there are no purely wholesale network operators without a competing retail offering. This fact, coupled with the uncertainty as to whether there will be more wholesale opportunities in the future, render it extremely challenging to develop a robust business plan to bring advanced wireless services to rural markets. To increase competition by encouraging parties such as the Mid-Sized ILECs to develop business plans around a wholesale market, the Commission must provide a licensing scheme that ensures such a wholesale market will exist.

At the same time, the public safety community (Public Safety) needs reliable access to a wireless broadband network. Indeed, the Commission has acknowledged the numerous public benefits of Public Safety wireless broadband applications in the Report and Order and Further Notice of Proposed Rulemaking in this proceeding.² However, it is questionable whether Public Safety has the financial resources required to acquire the necessary licenses and build out a robust, nationwide, broadband wireless network. Accordingly, a single network built, paid for, and operated by a wholesale-only provider, such as suggested by the Frontline proposal, provides the best chance for various different federal, state, and local Public Safety agencies to have a unified, effective network architecture supporting public safety.

The 700 MHz auction is likely the last realistic opportunity for a quality wireless broadband nationwide network that can address both the needs of the entities that desire to service largely rural, underserved or unserved areas through a wholesale model and the needs of

² *In the Matter of Implementation of Service Rules for the 698-746, 747-762 and 777-792 MHz Bands*, 22 FCC Rcd 8064,8156, ¶252 (2007)

Public Safety for a reliable nationwide broadband wireless network. Thus it is critical for the Commission to act now. A proposal for a public/private nationwide network, as set forth by Frontline, provides a solution for both the mid-sized ILECs that need a wholesale business model and Public Safety.

The Mid-Sized ILECs urge the Commission to designate a 10 MHz block of commercial spectrum next to Public Safety spectrum in the upper 700 MHz band for a nationwide license that will be subject to the following requirements:

- A network sharing agreement with the Public Safety Licensee.
- Stringent build-out requirements in both urban and rural markets.³
- The nationwide licensee's commercial applications must be limited to providing wholesale access to other resellers.
- The nationwide licensee must provide roaming service to any requesting CMRS operator.⁴

111. THE COMMISSION SHOULD ALLOW COMBINATORIAL OR PACKAGE BILLING TO INCREASE THE OPPORTUNITIES FOR SMALLER PARTICIPANTS TO ACQUIRE SPECTRUM AND PROVIDE SERVICE IN THE LARGELY UNSERVED OR UNDERSERVED RURAL MARKETS.

In addition to providing wireless broadband services through MVNO arrangements, the Mid-Sized ILECs are very interested in participating in the upcoming 700 MHz auction. The Commission has already taken a significant positive step toward achieving this objective and promoting the public interest by deciding to adopt a mix of geographic license size, including

³ Any build-out requirements must recognize that band clearing will not occur until the DTV transition is completed on February 17, 2009.

⁴ This is especially critical given the possibility that the incumbent national providers will cease providing roaming agreements for analog systems when the analog compatibility requirement expires on February 8, 2008. *See*, Rule 22.901(b) (47 C.F.R. § 22.901(b)).

CMA's. Making spectrum available at the CMA level provides the only realistic opportunity for these Mid-Sized ILECs to directly acquire spectrum in the upcoming auction. To encourage new entrants, including the Mid-Sized ILECs, and to facilitate deployment of the broadband opportunities provided by this spectrum to rural, high-cost areas, the Commission should ensure that sufficient spectrum is auctioned using CMA licenses.

Allowing combinatorial bidding or package bidding rules will further the opportunities for bidders for commercial licenses (other than the proposed nationwide E Band) to create arrangements with other bidders to structure nationwide opportunities that will also provide wholesale opportunities in the rural areas that are currently underserved or unserved. Such arrangements will benefit third parties, such as the Mid-Sized ILECs, who can structure bidding blocks or provide other bidders or blocks of bidders with a viable commercial operation in limited areas or narrowly targeted markets that the bidders otherwise would be reluctant to enter.

DIRECTV and EchoStar already endorsed package bidding in this proceeding:

Regional bidders, for that matter, might also seek to aggregate multiple EAG licenses. In order to make it easier for all bidders to aggregate spectrum over multiple licenses, the Commission should consider allowing combinatorial or "package" bidding in the 700 MHz band. ... The Commission, in turn, has repeatedly concluded that package bidding can allow bidders to better express the value of any synergies (benefits from combining complementary items) that may exist among licenses.⁵

Put another way, combinatorial or package bidding will result in more robust bidding and more efficient allocation and, importantly, use of valuable spectrum. Therefore, at a minimum, the Commission should allow for combinatorial bidding in at least one license at the Regional Economic Areas ("REAG") level.

⁵ Joint Comments of DIRECTV, INC. and EchoStar Satellite L.L.C., September 29, 2006, at p.7 ("DIRECTV/EchoStar").

The Mid-Sized ILECs also agree with DIRECTV/EchoStar that the Commission should not adopt the modifications to package bidding suggested by Milgrom/Wrege.⁶ Milgrom/Wrege point out that there is an “exposure risk” inherent in simultaneous multiple round auctions whereby a bidder risks acquiring “some” licenses, but not enough, or not all necessary, to establish a viable business. Milgrom/Wrege correctly point out that allowing package bidding “can enhance efficiency and revenues by eliminating that risk and so encouraging competition among bidders with very different business plans, allowing each to bid for the individual licenses or packages that fit best with their plans.”⁷

However, Milgrom/Wrege then propose two modifications, both of which would disserve consumers in rural areas. The first, which Milgrom/Wrege state is necessary to keep the auction simple, would be to restrict or limit the number of packages or characteristics of packages. To the contrary, as DIRECTV/EchoStar point out, such a limitation is neither necessary nor desirable.⁸

Given the relatively low total number of licenses at issue, however, it is doubtful that this theoretical concern applies in this specific auction. Moreover, the Commission should be cautious because any such limitations would reduce the effectiveness of packaging bidding techniques and significantly limit bidding options.

Second, Milgrom/Wrege suggest a 25% premium on winning package bids to protect small bidders. However, such a premium would likely have the opposite effect and eliminate the advantages that package bidding offers to small bidders. As DIRECTV/EchoStar pointed out:

Package bidding is an option (not a requirement) designed to serve as an equalizing force in the auction and protect bidders seeking a broader scope of licenses by ensuring a more level playing field. But a 25 percent premium would

⁶ Comments of Paul Milgrom and Karen Wrege, September 20, 2006 (“Milgrom/Wrege”).

⁷ *Id.*, at p. 5.

⁸ DIRECTV/EchoStar at p. 5.

effectively replace one bid disincentive (the exposure problem) with a new disincentive without adequate justification or explanation.'

IV. CONCLUSION

In conclusion, the Commission should take this opportunity to facilitate wireless service delivery to the entire nation, especially those rural areas that have largely been underserved by the current nationwide incumbent wireless providers. To do so, the Commission needs to

- (i) provide for a national license holder that will serve as a wholesaler of wireless service and
- (ii) increase the opportunity for smaller, regional players to participate in the 700 MHz auction by offering spectrum at smaller license blocks such as CMAs.

Respectfully submitted,

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⁹ *Id.*

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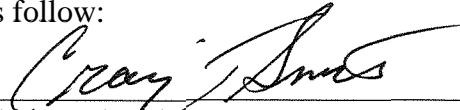
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ALL INDEPENDENT TELEPHONE COMPANY SERVICE TERRITORIES



CERTIFICATE OF SERVICE

I hereby certify that a copy of the forgoing Comments of Embarq, CenturyTel, and Citizens/Frontier (Mid-Sized ILECs) were filed by Embarq in WT Docket No. 06-150, WT Docket No. 06-169, PS Docket No. 06-229, and WT Docket No. 96-86 was sent by electronic mail on the 23th day of May, 2007 as follow:



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